

May 10, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

May Revise

The Governor's May Revise is scheduled for release at 1:00 p.m. on Tuesday, May 14, 2002. Recent speculation is that the budget problem has grown to \$24 to \$25 billion. We will provide you with a report on the May Revise later that day.

Assembly Subcommittee No. 1 Actions

Child care reform, the Special Education Pupils Program, and Drug Courts were among the items discussed by Assembly Budget Subcommittee No. 1 on Health and Human Services on Wednesday, May 8, 2002. Outcomes of interest are described below.

Child Care Reform

The Governor's Proposed Budget included a child care "reform" proposal which would have resulted in approximately \$400 million in savings. It included elimination of the Stage 3 Set-Aside, with the savings used for additional subsidized child care slots. The Administration subsequently dropped this proposal but may include an alternative in the May Revise. Assembly Subcommittee No. 2 on Education recently restored the Stage 3 Set-Aside by creating savings from CalWORKs and other childcare programs, including the elimination of child care for 13 year-olds. Assembly Subcommittee No. 1 has adopted the same position.

Special Education Pupils Program (AB 3632)

Under the Federal Individuals with Disabilities Education Act (IDEA), states receive funds for mandated services to children enrolled in special education. Counties, which provide the services, are reimbursed through a Budget appropriation and the State Mandates claiming process. Based on an audit of three years of county reimbursement claims, the State Controller is disputing claims by some counties, contending that they claimed reimbursement for more than the 10 percent allowed under the Program or failed to report offsetting revenue.

The Subcommittee adopted trailer bill language to hold counties harmless for past claims. The Department of Finance (DOF) opposed the language, arguing it would allow fraudulent claims. DOF indicated that the price tag for past claims ranges from \$66 million to \$133 million.

Drug Court/Parental Substance Abuse Programs

The Subcommittee adopted trailer bill language encouraging counties to adopt Drug Court models. The models could include the following components: 1) services to facilitate recovery from alcohol or drug dependency; 2) court authority to find a participant in contempt of court for failure to comply with a recovery services plan; 3) requiring parents to submit to random drug testing; 4) giving priority to pregnant and/or parenting women; and 5) providing counties with one-half of State savings in foster care expenditures from the implementation of a parental substance abuse program.

Assembly Subcommittee No. 4 Actions

On Wednesday, May 8, 2002, Assembly Appropriations Subcommittee No. 4 discussed the LAO proposal to increase fees charged to counties for the commitment of youths to the Youth Authority. The County's Sacramento advocates, together with CSAC, the Chief Probation Officers' Association, and the local probation union, testified in opposition to the proposal. The matter was left open, pending release of the May Revise.

Senate Subcommittee No. 3 Actions

On Thursday, May 9, 2002, Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services discussed various CalWORKs issues. Outcomes of interest are described below.

CalWORKs County Program Grant and 5 Percent Holdback

The CalWORKs Single Allocation contains funding for Employment Services, Child Care, and program administration. The Governor proposed a "County Program Grant" which

would combine single allocation funding with the allocations for CalWORKs Mental Health, CalWORKs Substance Abuse and Juvenile Assessment/Treatment Facilities and Probation Camps. The Subcommittee rejected the Governor's recommendation, an action already taken by the Assembly Subcommittee.

The proposed 2002 Budget Bill holds back 5 percent of the County Program Grant for unexpected costs such as caseload increases. Advocates urged rejection of this provision because it would make it hard for counties to plan. The Subcommittee rejected the Governor's proposal, an action already taken by the Assembly Subcommittee.

CalWORKs Community Colleges Program

The Governor's budget reduces Community Colleges' CalWORKs funding from \$65 million to \$15 million and requires those funds to be spent on childcare services for current and former CalWORKs recipients. The Subcommittee directed staff to work with staff of Senate Subcommittee No. 1 on Education to seek a partial restoration of funding, including possible redesign of the program to serve additional clients. This issue will be reviewed during a May 18th hearing on the May Revise.

CalWORKs COLA

The Governor's budget suspends the statutory cost-of-living adjustment for CalWORKs recipients, effective October 2002. The COLA is based on the annual change in the California Necessities Index (CNI). The CNI for 2002-03 is 3.74 percent. It would cost the State about \$112 million to provide the COLA. The Subcommittee will consider this issue at its May 18th May Revise hearing.

Mental Health and Substance Abuse Services to CalWORKs Participants

The Governor's proposed budget includes \$109.2 million of employment services funds to support treatment for CalWORKs participants with mental health and substance abuse problems. The Subcommittee considered a proposal to increase State funding in order to draw down additional federal funds. The Department of Finance indicated that such an increase could not be done in the Budget year but could be in the following year.

Pursuit of County Position on Legislation

AB 2835 (Longville), as introduced on February 25, 2002, would allow counties to assert a lien for the cost of health care against additional types of recoveries that injured patients receive from the party responsible for the injury. Current law allows counties to assert a lien for their health care costs incurred in treating patients injured by another party when

the patient receives a monetary award as a result of a judgment. AB 2835 would add settlement, compromise, arbitration award, mediation settlement, or any other recovery obtained by the patient.

County Counsel reports that a recent appellate court decision, Mares v. Baughman, restricted the use of a lien to judgment recoveries only. Until this decision, counties regularly asserted and collected on liens for monies received by injured patients as a result of a settlement or compromise, as well as a judgment. In November 2001 the County submitted a letter to the State Supreme Court requesting that the Court review this decision to clarify the authority of counties to recover medical care costs. The Supreme Court declined to review the case.

DHS and County Counsel recommend that the County **support AB 2835 because it would allow the County to continue receiving anticipated revenues for medical care rendered to patients injured by another party, and we concur. Consistent with the County's past practice to assert and collect on liens for monies received as a result of settlement or compromise, as well as the County's request for Supreme Court review of the decision restricting the use of liens, our Sacramento advocates will support AB 2835.** AB 2835 is set for hearing in the Assembly Judiciary Committee on May 14, 2002.

SB 1793 (Burton and Karnette) is the Youth Authority Accountability Reform Act of 2002. As amended on April 25, 2002, it would eliminate the Youthful Offender Parole Board (Board) and divide its responsibilities between the Juvenile Courts and local probation departments.

Under existing law, the Board considers and makes decisions regarding eligibility for parole, the granting of parole, the conditions of parole, and revocation of parole for wards that have been committed to the California Youth Authority (CYA). SB 1793 would instead require Juvenile Courts to assume these responsibilities, with assistance from local probation departments who would coordinate between the courts and the CYA. Probation Department staff would visit wards in CYA facilities to assess progress, receive reports from the CYA, calendar court hearings, and prepare reports on wards for the court. In addition, the Department would have to house wards attending parole hearings. CYA would continue to house and supervise wards.

According to the Probation Department, there are approximately 1,600 wards from Los Angeles County currently housed in the CYA and another 900 CYA wards on parole. The Probation Department estimates that it would cost \$5.5 million and require 57 additional

staff to implement the responsibilities mandated by SB 1793. The bill does not include an appropriation.

Proponents of the measure suggest that counties could recover their costs by reducing the amount of time wards spend at CYA facilities. According to the Probation Department, the County spends approximately \$15 million to keep wards with the CYA. To recover \$5.5 million, the average ward stay in a CYA facility would have to be reduced by approximately one third. The County cannot assure such a reduction. These decisions are made by the courts, not probation departments.

The Probation Department recommends that the County oppose SB 1793 unless amended, and we concur. The Department believes there are ways to provide better oversight of the CYA without imposing major costs on counties. For example, an oversight committee composed of representatives from the judiciary, local probation departments and other interested parties, could monitor and report on the CYA's performance. **Opposition to SB 1793 is consistent with existing policy to oppose unfunded mandates which do not further a higher priority.** SB 1793 passed the Senate Public Safety Committee on May 7, 2002 and is in the Senate Appropriations Committee.

Status of County Interest Legislation

County-supported AJR 31 (Thomson), which would memorialize the President and the Congress to provide funds to states and local governments for the costs of terrorism preparedness, passed the Senate Governmental Organization Committee on May 7, 2002 and is on the Senate Floor.

County-supported AB 1122 (Corbett) and SB 657 (Scott), which would conform State law to changes made by the Federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, were signed by the Governor on May 8, 2002. The bills affect pension plans, individual retirement accounts and qualified education IRAs. They also conform California's tax code to other changes made in the Federal tax code over the last several years.

The bills take effect immediately, and the provisions are retroactive to January 1, 2002.

County-supported AB 2075 (Chavez), would expand the requirement that a convicted defendant pay the reasonable costs for services incurred by a probation department to include the cost of pretrial monitoring, investigation and reports, and post sentence investigations. It was approved by the Assembly Appropriations Committee on May 8, 2002 and is on the Assembly Floor.

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County-supported AB 2729 (Wesson), which would authorize direct cash payments from the California Victim Compensation and Government Claims Board to community based organizations that provide crisis counseling to victims of domestic violence, was placed on the Assembly Appropriations Committee's Suspense File on May 8, 2002.

County-supported SB 1520 (Ortiz), which would ban the sale of carbonated beverages on school campuses, failed passage in the Senate Education Committee on May 8, 2002. Reconsideration was granted.

County-supported SB 1766 (Ortiz), which would require each retail sale of a tobacco product to be a vendor-assisted, face-to-face sale, passed the Senate Judiciary Committee on May 8, 2002, and now proceeds to the Senate Floor.

We will continue to keep you advised of any new developments.

DEJ:GK
JR:md

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist
 Local 660
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants